

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Gladstone Housing Commission	County Delta
Audit Date 3/31/04	Opinion Date 12/20/04	Date Accountant Report Submitted to State: 12/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

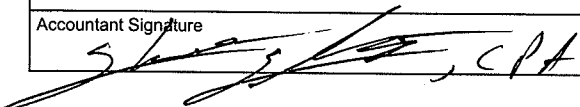
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address Po Box 828		City Iron Mountain	State MI
Accountant Signature 		ZIP 49801	Date 12-27-04

GLADSTONE HOUSING COMMISSION

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

GLADSTONE HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Gladstone Housing Commission
Gladstone, Michigan

We have audited the accompanying general purpose financial statements of Gladstone Housing Commission ("Commission") as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board of Commissioners and management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Gladstone Housing Commission as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated December 20, 2004, on our consideration of Gladstone Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The Financial Data Schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Gladstone Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants

Iron Mountain, Michigan
December 20, 2004

GLADSTONE HOUSING COMMISSION
- ENTERPRISE FUND

BALANCE SHEET

March 31, 2004

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 97,414
Accounts receivable	51,460
Investments	124,688
Prepaid expenses	<u>9,665</u>

TOTAL CURRENT ASSETS	<u>283,227</u>
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FIXED ASSETS:

Land and improvements	327,748
Buildings	3,390,399
Equipment	165,500
Construction in progress	<u>34,061</u>

	3,917,708
Less accumulated depreciation	<u>(2,358,872)</u>

NET FIXED ASSETS	<u>1,558,836</u>
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TOTAL ASSETS	<u><u>\$ 1,842,063</u></u>
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LIABILITIES AND EQUITY

LIABILITIES:

Accounts payable	\$ 17,135
Accrued liabilities	<u>34,656</u>

TOTAL CURRENT LIABILITIES	<u>51,791</u>
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TOTAL LIABILITIES	<u>51,791</u>
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EQUITY:

Contributed capital - net of accumulated depreciation	1,183,469
Retained earnings - unreserved	<u>606,803</u>

TOTAL EQUITY	<u>1,790,272</u>
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TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,842,063</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

GLADSTONE HOUSING COMMISSION
- ENTERPRISE FUND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS**

For the Year Ended March 31, 2004

OPERATING REVENUES:

Tenant revenue	\$ 260,499
Program grants-subsidies	<u>125,646</u>
 TOTAL OPERATING REVENUES	 <u>386,145</u>

OPERATING EXPENSES:

Administration	98,330
Tenant services	2,105
Utilities	57,354
Maintenance	131,213
General	30,598
Depreciation	<u>130,171</u>
 TOTAL OPERATING EXPENSES	 <u>449,771</u>

OPERATING (LOSS)	<u>(63,626)</u>
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OTHER INCOME (EXPENSES):

Interest income	3,820
Other expenses	(3,275)
(Loss) on sale of fixed assets	<u>(185)</u>

TOTAL OTHER INCOME (EXPENSES)	<u>360</u>
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NET (LOSS)	(63,266)
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ADD:

Depreciation on assets acquired with contributed capital	99,096
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RETAINED EARNINGS, BEGINNING OF PERIOD	<u>570,973</u>
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RETAINED EARNINGS, END OF PERIOD	<u><u>\$ 606,803</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Net (loss)	\$ (63,266)
Adjustments to reconcile operating income to net cash provided from operating activities:	
Depreciation	130,171
(Loss) on sale of fixed assets	185
Change in assets and liabilities:	
(Increase) Decrease:	
Accounts receivable	(33,626)
Prepaid expenses	11,801
Increase (Decrease):	
Accounts payable	8,888
Accrued liabilities	<u>(12,970)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>41,183</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(47,516)
Purchase of investments	<u>(2,821)</u>

NET CASH (USED) BY INVESTING ACTIVITIES	<u>(50,337)</u>
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NET (DECREASE) IN CASH	(9,154)
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>106,568</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 97,414</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

The Gladstone Housing Commission (Commission) was formed in 1961 under the criteria established for low income housing programs by the United States Department of Housing and Urban Development. The Commission operates under a board of commissioners appointed by the City Council.

It is the Commissions policy to apply accounting principles generally accepted in the United States of America to present fairly its financial position, results of operations, and cash flows. The significant accounting policies utilized by the Commission are described below:

- A. Reporting Entity- In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Commission and/or it's constituents, or whether the activity is conducted within the geographic boundaries of the Commission and is generally available to it's constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Commission is able to exercise oversight responsibilities.

Based upon the application of these criteria, the general purpose financial statements of the Gladstone Housing Commission contain all the funds and account groups controlled by the Commission's Board of Commissioners as no other entity meets the criteria to be considered a component unit of the Commission nor is the Commission a component unit of another entity.

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES
(Continued)

- B. Fund Accounting - The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Commission functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The following fund is used by the Commission:

Proprietary fund

Enterprise fund. To account for operations (1) that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Commission elects to apply FASB pronouncements issued on or after November 30, 1989 unless they conflict with or contradict GASB pronouncements.

- C. Basis of Accounting - The accrual basis of accounting is used by the proprietary fund. Under this method, revenues are recorded when earned. Expenditures are recorded when the related fund liability is incurred.
- D. Budgets - Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES
(Continued)

D. Budgets (Continued)

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.

E. Cash and Equivalents - Cash and equivalents consist of cash in checking and saving accounts and cash on hand. For purposes of the statement of cash flows, the Commission considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

F. Investments - Investments are stated at fair market value.

G. Prepaid Expenditures - Prepaid expenditures, such as insurance premiums, which are expected to be written off within the next fiscal year are included in net current assets. Reported expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

H. Fixed Assets - Fixed assets are stated at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Depreciation is recorded in the proprietary fund using the straight-line method over the following years:

Building & improvements	10-40 years
Equipment	5-10 years

Depreciation for the year-ended March 31, 2004 was \$130,171.

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES
(Continued)

- I. Interprogram Receivables and Payables – The current portion of lending/borrowing arrangements between programs are identified as “due to/from other programs”. The non-current portion of outstanding balances between programs are reported as “transfers to/from other programs”.
- J. Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability.
- K. Equity - The retained earnings unreserved represents the amounts available for budgeting future operations. The financial statements include the Proprietary Fund with a cumulative fund balance at March 31, 2004 of \$606,803.

The contributed capital represents the contributions which were contributed to the Commission. They were recorded at their fair market values at the time of the contribution. The amounts are summarized as follows:

Balance, April 1, 2003	\$ 1,282,565
Deduct: Depreciation on fixed assets acquired with contributed capital	<u>(99,096)</u>
BALANCE, MARCH 31, 2004	\$ <u>1,183,469</u>

NOTE B – CASH & INVESTMENTS - CREDIT RISK

Petty Cash – The Commission maintains a petty cash fund in the amount of \$100.

Deposits - At year-end, the carrying amount of the Commission's deposits was \$97,314 and the bank balances were \$108,207. The Commission's cash and equivalents were fully collateralized at March 31, 2004.

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE C - CASH & INVESTMENTS - CREDIT RISK

Investments consisted of interest bearing cash and investment accounts and were in accordance with State of Michigan statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. However, the U. S. Department of Housing and Urban Development (HUD) requires that all funds be fully collateralized in excess of the insured amount. The Commission's investments were fully collateralized at March 31, 2004.

Cash and investments are classified as to credit risk by the following three categories.

Category 1 - Insured or registered, or securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

The Commission's cash and investments are categorized as follows:

	<u>Category</u>			<u>Bank</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Value</u>
Petty Cash	\$ 100	\$ -	\$ -	\$ -	\$ 100
Cash and Equivalents	97,314	-	-	108,207	97,314
Certificates of Deposit	<u>124,688</u>	<u>-</u>	<u>-</u>	<u>124,688</u>	<u>124,688</u>
Total cash and investments	\$ <u>222,102</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>232,895</u>	\$ <u>222,102</u>
Cash and equivalents	\$ 97,414				
Investments	<u>124,688</u>				
Total	\$ <u>222,102</u>				

GLADSTONE HOUSING COMMISSION
-ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE D - FIXED ASSETS

	Balance <u>4-1-03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3-31-04</u>
Land	\$ 69,466	\$ -	\$ -	\$ 69,466
Land improvements	258,282	-	-	258,282
Building & improvements	3,271,665	118,734	-	3,390,399
Equipment	167,971	1,630	(4101)	165,550
Construction-in-progress	<u>106,909</u>	<u>45,886</u>	<u>(118,734)</u>	<u>34,061</u>
Total fixed assets	\$ <u>3,874,293</u>	\$ <u>166,250</u>	\$ <u>(122,835)</u>	\$ <u>3,917,708</u>

NOTE E - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund it's operations through operating subsidies and capital funding grants. Total operating revenues for the year ended March 31, 2004 totaled \$386,145 of which \$125,646 or 33% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD and are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

SUPPLEMENTARY DATA

GLADSTONE HOUSING COMMISSION**Enterprise Fund**

Financial Data Schedule

March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
ASSETS:				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	92,966	-	92,966
114	Cash - tenant security deposits	4,448	-	4,448
100	Total cash	97,414	-	97,414
Accounts and notes receivables:				
122	Accounts receivable - HUD other projects	26,825	20,906	47,731
126	Accounts receivable - tenants - dwelling rents	3,763	-	3,763
126.1	Allowance for doubtful accounts - dwelling rents	(265)	-	(265)
129	Accrued interest receivable	231	-	231
120	Total receivables, net of allowances for doubtful accounts	30,554	20,906	51,460
Current investments				
131	Investments - unrestricted	124,688	-	124,688
142	Prepaid expenses and other assets	9,665	-	9,665
144	Interprogram due from	20,906	-	20,906
150	TOTAL CURRENT ASSETS	283,227	20,906	304,133
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	69,466	-	69,466
162	Buildings	3,271,665	118,734	3,390,399
163	Furniture, equipment & machinery - dwellings	59,468	-	59,468
164	Furniture, equipment & machinery - administration	106,032	-	106,032
165	Leasehold improvements	258,282	-	258,282
166	Accumulated depreciation	(2,348,083)	(10,789)	(2,358,872)
167	Construction in progress	-	34,061	34,061
160	Total fixed assets, net of accumulated depreciation	1,416,830	142,006	1,558,836
180	TOTAL NONCURRENT ASSETS	1,416,830	142,006	1,558,836
190	TOTAL ASSETS	1,700,057	162,912	1,862,969

See accompanying notes to financial statements

GLADSTONE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	17,135	-	17,135
321	Accrued wage/payroll taxes payable	2,544	-	2,544
322	Accrued compensated absences - current portion	8,654	-	8,654
333	Accounts payable - other government	17,027	-	17,027
341	Tenant security deposits	6,149	-	6,149
342	Deferred revenues	282	-	282
347	Interprogram due to	-	20,906	20,906
310	TOTAL CURRENT LIABILITIES	51,791	20,906	72,697
300	TOTAL LIABILITIES	51,791	20,906	72,697
EQUITY:				
Contributed Capital:				
504	Net HUD PHA contributions	1,182,969	-	1,182,969
507	Other contributions	500	-	500
508	Total contributed capital	1,183,469	-	1,183,469
Reserved fund balance:				
512	Undesignated fund balance/retained earnings	464,797	142,006	606,803
513	TOTAL EQUITY	1,648,266	142,006	1,790,272
600	TOTAL LIABILITIES AND EQUITY	1,700,057	162,912	1,862,969

See accompanying notes to financial statements

GLADSTONE HOUSING COMMISSION**Enterprise Fund****Financial Data Schedule**

For the Year Ended March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
REVENUE:				
703	Net tenant rental revenue	240,314	-	240,314
704	Tenant revenue - other	20,185	-	20,185
705	Total tenant revenue	260,499	-	260,499
706	HUD PHA grants	79,053	707	79,760
706.1	HUD PHA grants	-	45,886	45,886
711	Investment income - unrestricted	3,820	-	3,820
716	Gain/Loss on Sale of Fixed Assets	(185)	-	(185)
700	TOTAL REVENUE	343,187	46,593	389,780
EXPENSES:				
Administrative				
911	Administrative salaries	54,345	-	54,345
912	Auditing fees	1,900	-	1,900
914	Compensated absences	(865)	-	(865)
915	Employee benefit contributions- administrative	28,248	-	28,248
916	Other operating- administrative	13,995	707	14,702
	Total Administrative	97,623	707	98,330
Tenant services				
924	Tenant services - other	2,105	-	2,105
Utilities				
931	Water	13,704	-	13,704
932	Electricity	23,455	-	23,455
933	Gas	20,195	-	20,195
	Total Utilities	57,354	-	57,354
Maintenance				
941	Ordinary maintenance and operations - labor	58,842	-	58,842
942	Ordinary maintenance and operations - materials & other	9,496	-	9,496
943	Ordinary maintenance and operations - contract costs	37,191	-	37,191
945	Employee benefit contributions- ordinary maintenance	25,684	-	25,684
	Total Maintenance	131,213	-	131,213

See accompanying notes to financial statements

GLADSTONE HOUSING COMMISSION**Enterprise Fund**

Financial Data Schedule

For the Year Ended March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
	General expenses			
961	Insurance premiums	13,483	-	13,483
963	Payments in lieu of taxes	17,027	-	17,027
964	Bad Debt - Tenant Rents	88	-	88
	Total General Expenses	<u>30,598</u>	<u>-</u>	<u>30,598</u>
969	TOTAL OPERATING EXPENSES	<u>318,893</u>	<u>707</u>	<u>319,600</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>24,294</u>	<u>45,886</u>	<u>70,180</u>
971	Extraordinary maintenance	3,275	-	3,275
974	Depreciation expense	<u>119,382</u>	<u>10,789</u>	<u>130,171</u>
900	TOTAL EXPENSES	<u>441,550</u>	<u>11,496</u>	<u>453,046</u>
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>(98,363)</u>	<u>35,097</u>	<u>(63,266)</u>
MEMO account information				
1103	Beginning equity	1,746,629	106,909	1,853,538
1112	Depreciation "add back"	99,096	-	99,096
1120	Unit months available	1,224	-	1,224
1121	Number of unit months leased	1,201	-	1,201

See accompanying notes to financial statements

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH “GOVERNMENT AUDITING STANDARDS”**

Board of Commissioners
Gladstone Housing Commission
Gladstone, Michigan

We have audited the financial statements of the Gladstone Housing Commission as of and for the year ended March 31, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “*Government Auditing Standards*”, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Gladstone Housing Commission’s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under “*Government Auditing Standards*”.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gladstone Housing Commission’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants

Iron Mountain, Michigan
December 20, 2004